

Putting a Value on Early Childhood Education and Care in Australia

Zac Hatzantonis, Director

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'Seasons of Change'

Financing Future ECEC

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About PwC

PwC's ongoing commitment to Early Childhood Education and Care

- *A Practical Vision for Early Childhood Education and Care* in 2011
- deep expertise and a track record of providing advice, to governments and others, including on major early childhood developments such as the recent national early childhood workforce review
- a firm wide commitment to education.

Our point of view

- Without doubt 2014 is characterised by significant uncertainties about future arrangements for ECEC in Australia with reviews of national partnerships underway as well as the Productivity Commission inquiry
- This is challenging BUT creates a rare opportunity to shape future directions
- Future arrangements for ECEC should consider the full range of policy outputs and outcomes that ECEC can help address including:
 - supporting workforce participation
 - benefiting all children who receive a quality education program, and
 - improving equity by achieving significant benefits for vulnerable children.
- In terms of financing:
 - investment levels should match the importance of ECEC
 - funding should be linked predominantly to actual costs of delivering ECEC to NQA standards



An overview of our approach to putting a value on ECEC in the Australian context

Step 1: reviewing key literature including validated longitudinal, randomised-controlled trial research reports

Step 2: validating and agreeing the types of impacts to be modelled we held workshops with:

- government representatives from all jurisdictions, including the Australian Government,
- a number of industry peak bodies
- a number of service providers

Step 3: refining and calibrating of inputs to be modelled in the Australian economy

Step 4: modelling to develop estimates on a whole of economy and long run basis.

Key themes from the literature review

Summary Themes

Childcare: impact on workforce participation

Subsidised child care increases labour force participation

Very low cost child care significantly increases labour force participation

Higher prices reduce labour force participation

Examples:

Fortin et al, *Impact of Quebec's Universal Low Fee Childcare Program on Female Labour Force Participation, Domestic Income and Government Budgets* Working Paper 2012.02

Gong et al, 2012, *Estimating Net Childcare Price Elasticities of Partnered Women with Pre-School Children Using a Discrete Structural Labour Supply-Child Care Model*, Treasury Working Paper.

Quality matters

Participation in quality ECEC has the potential to yield long term educational outcomes that will improve productivity

Examples

Sylva, Kathy, et al, 2003, *The Effective Provision of Pre-school Education (EPPE) Project: Finding from the Pre-school Period. Research Brief*

Elliot, A. 2006, *Early Childhood Education: Pathways to Quality and Equity for All Children*, Australian Council for Educational Research, Sydney.

Benefits for vulnerable children

Participation in high quality education and care has positive outcomes for vulnerable children that will have a return for the broader economy

Examples

Schweinhart, L. J., et al (2005). *Lifetime effects: The HighScope Perry Preschool study through age 40*. Summary, Conclusions, and Frequently Asked Questions

Greg Parks, 'The High/Scope Perry Preschool Project', *Juvenile Justice Bulletin*, The Office of Juvenile Justice and Delinquency Prevention, October 2000, page 2.

Campbell, F, et al , 2002, *Early Childhood Education: Young Adult Outcomes from the Abecedarian Project*, in *Applied Developmental Science*, Vol 6 No. 1 42-57.

Modelling impacts

From our review of national and international literature review we identified three impacts to be modelled in the Australian economy using computable general equilibrium (CGE) modelling:

1. increase in female labour force participation
2. participation in **quality** ECEC
3. increasing vulnerable children's participation in ECEC

What is Computable General Equilibrium modelling?

Computable general equilibrium (CGE) models:

- replicate the key relationships in an economy, providing year-by-year estimates of capital and labour allocation among competing industries (and occupations), prices, consumption, total output and income
- replicate population dynamics through the integration of cohort-based demographic modelling with economic modelling
- ensure that any projections are internally consistent
- allow the examination of policy experiments taking into account the main feedbacks in an economy, and between the economy, labour markets and demographic changes.

Our results in summary

	Benefits to Gross Domestic Product cumulative to 2050	Benefits to Gross Domestic Product Net Present Value
Increase in female labour force participation A modest 0.09% increase in the labour force participation rate	\$6.0 bn	\$3.7 bn
Increasing the quality of ECEC The benefit of increasing the number of services rated at meeting or exceeding the National Quality Standard	Up to \$10.3 bn	\$3.0 bn
Increasing participation of vulnerable children Increasing the access to ECEC for children of parents in the lowest income bracket who are currently not in any form of ECEC	\$13.3 bn	\$2.7 bn

Our report, *Putting a Value on Early Childhood Education and Care in Australia* provides further detail (and technical supporting notes) for these impacts.

We will be providing our report to the Productivity Commission today. The report will be publicly available shortly.

Key messages

- PwC welcomes the current focus and the debate on the future of ECEC in Australia. In terms of financing:
 - ❑ investment levels should match the importance of ECEC
 - ❑ funding should be linked predominantly to actual costs of delivering ECEC to NQA standards
- In summary our findings demonstrate that there are potential benefits across the board for providing quality ECEC. These include:
 - ❑ growing Australia's GDP
 - ❑ improving workforce participation choices for parents and in particular women
 - ❑ helping realise the full potential of Australian children
 - ❑ reducing the impacts of disadvantage.
- Our modelling results show that all of these benefits can be achieved with a net saving to government.
- While the lack of data in the Australian context makes it difficult to identify a causal link between child development outcomes and participation in ECEC in Australian system , we should not let this stop us from developing estimates. BUT we need to clearly acknowledge assumptions we make and any limitations of the analysis
- Now that we have built the model it is ready to feed in new Australian evidence when it becomes available
- PwC looks forward to the continued discussion about the importance of ECEC to the Australian economy.

Contacts for further information

James van Smeerdijk

Partner

03 8603 4814

james.vs@au.pwc.com



Zac Hatzantonis

Director

03 8603 5210

zac.hatzantonis@au.pwc.com



Chris Roberts

Director

02 6271 3188

chris.roberts@au.pwc.com



Michael Maher

Associate Director

03 8603 1270

michael.maher@au.pwc.com



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